Octopus Capital Limited

Annual report and consolidated financial statements

For the year ended 30 April 2012

Registered number 03981143

COMPANY INFORMATION

Directors	M J Cooper C R Hulatt G B Myles S A Rogerson A J Seabright
Company Secretary	T J Spevack
Company Number	03981143
Registered Office	20 Old Bailey London EC4M 7AN
Auditor	Deloitte LLP Hill House, 1 Little New Street London EC4A 3TR
Bankers	HSBC plc 31 Holborn London EC1N 2HR

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DIRECTORS' REPORT
For the year ended 30 April 2012

The directors present their annual report on the affairs of Octopus Capital Limited (the "Company") and its subsidiaries (together the "Group") with the financial statements and auditor's report, for the year ended 30 April 2012

Principal activities
The principal activity of the Company during the year was that of a holding company It holds 100% of the issued share capital of Octopus Investments Limited, the primary trading company within the Group and whose principal activity is that of fund management The majority of Octopus Investments Limited's revenues are derived from investment management, and the sale and distribution of investment solutions to retail investors

Business review and key performance indicators
Octopus Capital Limited is the holding company of a specialist investment management group with a diversified product base across a range of tax and investment products The Group was established in March 2000 and now manages approximately £2 8 billion (2011 £2 4 billion) in assets These assets are spread across Venture Capital Trusts, Enterprise Investment Schemes, Inheritance Tax Products and a range of Open Ended Investment Companies investing across a diverse range of asset classes

The results for the Group show a pre-tax profit of £5,817,041 for the year (2011 £2,773,228) on turnover of £58,433,629 (2011 £43,448,045) The profit for the year, after taxation, amounted to £4,612,704 (2011 £1,928,936) There were no subsequent events requiring disclosure in the financial statements after the balance sheet date other than those disclosed in note 24 in relation to the post year end related party loan

The Group has no debt (2011 £nil) and shareholders' funds amount to £12,105,553 (2011 £6,858,167) The Company did not purchase any of its own shares in the year

The directors are pleased with the Group's growth in profits over the year, particularly in the context of the current economic environment, which reflects on the Group's ability to remain innovative and offer investment solutions to a growing investor base

Principal risks and uncertainties
The Management Committee identifies, assesses and manages risks associated with the Group's business objectives and strategy Risks arise from external sources, those which are inherent commercial risks in the market place and business and from operational risks contained within the systems and processes employed within the business

External Risks
External risks can arise from changes to the political, legal and regulatory environment The Group runs a number of tax based products and changes to the underlying legislation could make a product more or less appealing The Management Committee and relevant investment teams ensure that they have a detailed understanding of current tax legislation and are aware of evolving HMRC rules

Operational Risk
Operational risk arises from a weakness or failure in a business's systems and controls The Group relies on efficient and well-controlled processes The potential impact and likelihood of processes failing and operational risk materialising is assessed on a regular basis Where these likelihoods are felt to be outside of the directors' appetite for

DIRECTORS' REPORT (continued)

For the year ended 30 April 2012

Operational Risk (continued)

risk, management actions and/or control improvements are identified in order to bring each potential risk back to within acceptable levels The Group also has a disaster recovery plan in place covering current business requirements

Business Risk

The majority of the Group's revenues are derived from investment management fees which depend on the performance of the underlying funds The Group operates in the highly competitive financial services market This encompasses issues such as the availability of assets for investment across the industry and reputational issues that affect the sector as a whole

The reputation of the business is one of the Group's most important assets since it operates in an industry where customer trust and confidence are key There is a system of internal controls which seek to ensure that events which would damage the reputation of the business are prevented Management is active in seeking knowledge on changes to the business environment which may have an impact on the way the Group does business

Treating customers fairly

Treating Customers Fairly is part of the Group's business ethos and ensures its regulated business complies with the FSA principle, "A firm must pay due regard to the interests of its customers and treat them fairly" The fair treatment of customers is central to the corporate culture

Going concern

The directors have a reasonable expectation that the Company and Group have adequate resources to continue in operational existence for the foreseeable future Thus they continue to adopt the going concern basis in preparing the annual financial statements

Further details regarding the adoption of the going concern basis can be found in the Statement of Accounting Policies in the financial statements

Directors

The directors who served throughout the year, except as noted, were as follows

M J Cooper
C R Hulatt
G B Myles
S A Rogerson
A J Seabright (appointed November 2011)

DIRECTORS' REPORT (continued)

For the year ended 30 April 2012

Auditor

Each of the persons who is a director at the date of approval of this report confirms that

- so far as that director is aware, there is no relevant audit information of which the Company's auditor is unaware, and
- that director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006

Deloitte LLP have indicated their willingness to be reappointed for another term and a resolution to reappoint them will be proposed at the next Annual General Meeting

Approved by the Board and signed on its behalf by

CR Hulatt

C R Hulatt
Director
16 November 2012

Registered Office
20 Old Bailey
London
EC4M 7AN

DIRECTORS' RESPONSIBILITIES STATEMENT

For the year ended 30 April 2012

Statement of directors' responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) Under Company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 2006 They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF OCTOPUS CAPITAL LIMITED

We have audited the financial statements of Octopus Capital Limited for the year ended 30 April 2012 which comprise the Consolidated Profit and Loss Account, the Consolidated and parent Company Balance Sheets, the Consolidated Cash Flow Statement, the Statement of Accounting Policies and the related notes 1 to 25 The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error This includes an assessment of whether the accounting policies are appropriate to the Group's and the parent Company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the Group's and of the parent Company's affairs as at 30 April 2012 and of the Group's profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept by the parent Company, or returns adequate for our audit have not been received from branches not visited by us, or
- the parent Company financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

Stuart McLaren (Senior statutory auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, UK, 16 November 2012

CONSOLIDATED PROFIT AND LOSS ACCOUNT
For the year ended 30 April 2012

	Note	2012 £'000s	2011 £'000s
TURNOVER		58,434	43,448
Cost of sales		(18,125)	(12,159)
GROSS PROFIT		40,309	31,289
Administrative expenses		(34,185)	(28,414)
OPERATING PROFIT		6,124	2,875
Share of operating profit/(loss) in associate	6	55	(272)
Impairment of goodwill	7	(418)	-
PROFIT ON ORDINARY ACTIVITIES BEFORE FINANCE CHARGES		5,761	2,603
Interest receivable and similar income		67	184
Interest payable and similar charges		(11)	(14)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	1	5,817	2,773
Tax on profit on ordinary activities	4	(1,204)	(844)
PROFIT FOR THE FINANCIAL YEAR		4,613	1,929

All amounts relate to continuing operations

There were no recognised gains and losses for 2012 or 2011 other than those included in the profit and loss account

The Statement of Accounting Policies and notes on pages 17 to 34 form part of these financial statements

CONSOLIDATED BALANCE SHEET

At 30 April 2012

	Note	2012 £'000s	2011 £'000s
FIXED ASSETS			
Goodwill	7	-	607
Intangible assets		-	607
Tangible assets	8	1,377	1,367
Investments	9	336	341
		1,713	2,315
CURRENT ASSETS			
Debtors			
- due within one year	10	11,420	6,409
- due after one year	10	-	556
Investments	11	2,286	944
Cash at bank and in hand	21	13,902	8,097
		27,608	16,006
CREDITORS amounts falling due within one year	12	(16,137)	(10,941)
NET CURRENT ASSETS		11,471	5,065
TOTAL ASSETS LESS CURRENT LIABILITIES		13,184	7,380
CREDITORS amounts falling due after more than one year	12	(864)	(253)
Other provisions	13	(214)	(269)
NET ASSETS		12,106	6,858
CAPITAL AND RESERVES			
Called up share capital	15	313	305
Share premium account	17	667	411
Share based payments reserve	17	506	-
Own shares	17	51	(162)
Other reserves	17	3,228	3,228
Profit and loss account	17	7,341	3,076
SHAREHOLDERS' FUNDS		12,106	6,858

The financial statements of Octopus Capital Limited (registered number 03981143) were approved by the board of directors and authorised for issue on 16 November 2012 They were signed on its behalf by

C R Hulatt
Director

The Statement of Accounting Policies and notes on pages 17 to 34 form part of these financial statements

COMPANY BALANCE SHEET

At 30 April 2012

	Note	2012 £'000s	2011 £'000s
FIXED ASSETS			
Tangible assets	8	1,377	1,367
Investments	9	2,821	3,710
		4,198	5,077
CURRENT ASSETS			
Debtors	10		
- due within one year		1,603	713
- due after one year		-	556
Cash at bank and in hand		-	20
		1,603	1,289
CREDITORS amounts falling due within one year	12	(5,788)	(5,178)
NET CURRENT LIABILITIES		(4,185)	(3,889)
TOTAL ASSETS LESS CURRENT LIABILITIES		13	1,188
NET ASSETS		13	1,188
CAPITAL AND RESERVES			
Called up share capital	15	313	305
Share premium account	17	667	411
Share based payments reserve	17	506	-
Own shares	17	51	(162)
Other reserves	17	3,228	3,228
Profit and loss account	17	(4,752)	(2,594)
SHAREHOLDERS' FUNDS		13	1,188

The financial statements of Octopus Capital Limited (registered number 03981143) were approved by the board of directors and authorised for issue on 16 November 2012 They were signed on its behalf by

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CONSOLIDATED CASH FLOW STATEMENT

For the year ended 30 April 2012

	Note	2012 £'000s	2011 £'000s
Net cash flow from operating activities	19	8,844	7,927
Returns on investments and servicing of finance	20	56	170
Taxation	20	(1,488)	(630)
Capital expenditure and financial investment	20	(2,198)	(2,130)
Acquisitions and disposals	20	-	(3)
Cash inflow before management of liquid resources and financing		5,214	5,334
Management of liquid resources	20	115	(6)
Financing	20	476	413
Increase in cash in the year		5,805	5,741

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

For the year ended 30 April 2012

		2012 £'000s	2011 £'000s
Increase in cash in the year		5,805	5,741
Cash flow from change in liquid resources		(115)	6
Change in net funds resulting from cash flows		5,690	5,747
Other non-cash changes		113	50
Movement of net funds in the year		5,803	5,797
Net funds at 1 May 2011		8,262	2,465
Net funds at 30 April 2012	21	14,065	8,262

The Statement of Accounting Policies and notes on pages 17 to 34 form part of these financial statements

STATEMENT OF ACCOUNTING POLICIES

For the year ended 30 April 2012

The principal accounting policies are summarised below They have all been applied consistently throughout the year and the preceding year

Basis of accounting and preparation of financial statements

The financial statements have been prepared under the historical cost convention and in accordance with applicable United Kingdom Law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

Basis of consolidation

The Group financial statements consolidate the accounts of the Company and all of its subsidiary undertakings ('subsidiaries') drawn up to 30 April each year The results of subsidiaries acquired or sold are consolidated from the effective date of acquisition

The results of associates are incorporated in these financial statements using the equity method of accounting Investments in associates are carried in the balance sheet at cost as adjusted by post-acquisition changes in the Group's share of the net assets of the associate Any excess of the cost of acquisition over the Group's share of the book values of the identified net assets of the associate at the date of acquisition is recognised as goodwill

Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Business Review which forms part of the Directors' Report The Directors' Report also describes the financial position of the Group, the Group's objectives, policies and processes for managing its capital and its financial risk management objectives

The Group has reasonable financial resources together with long-term agreements, via its wholly owned subsidiary Octopus Investments Limited, with a number of the funds across different asset classes As a consequence, the directors believe that the Group is well placed to manage its business risks successfully despite the current uncertain economic outlook

The directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements

Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date

Full provision is made for deferred tax assets and liabilities arising from all timing differences between the recognition of gains and losses in the financial statements and recognition in the tax computation

A net deferred tax asset is recognised only if it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted

STATEMENT OF ACCOUNTING POLICIES (continued)

Deferred tax assets and liabilities are calculated at the tax rates expected to be effective at the time the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantially enacted by the balance sheet date

Deferred tax assets and liabilities are not discounted

Turnover

Turnover comprises revenue which is recognised to the extent that it is probable that economic benefits will flow to the Group and such revenue can be reliably measured Revenue represents amounts receivable for services provided in the normal course of business, net of VAT, and includes management fees, monitoring fees, initial fees, arrangement fees and performance fees Where payments are received from customers in advance of services provided, the amounts are recorded as deferred income and included as part of creditors due within one year Fees earned from the ongoing management of funds and monitoring of investee businesses are recognised on an accruals basis to the extent that it is probable that there will be economic benefit and the income can be reliably measured

Initial fees are deemed to be earned at the investment date, except in the case where the Group has in place a specific agreement with clients that initial fees will be deferred until the maturity date of the product In such cases the fees are recognised at the end of the investment period

Arrangement fees relating to transactions entered into on behalf of clients are recorded in the accounts on the date of the transaction

Performance fees are calculated as a percentage of the appreciation in the net asset value of a fund above a defined hurdle These are recognised when the fee amount can be estimated reliably, which is normally at the end of the performance period

Turnover is all generated by one segment and in the UK, hence no segmental or geographical analysis is required

Intangible assets - Goodwill

Goodwill arising on the acquisition of subsidiary undertakings and businesses, representing any excess of the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired, is capitalised and written off on a straight line basis over its useful economic life, which is five years Provision is made for any impairment

Tangible fixed assets

Tangible fixed assets are stated at cost or valuation, net of depreciation and any provision for impairment Depreciation is provided on all tangible fixed assets, other than investment properties and freehold land, at rates calculated to write off the cost or valuation, less estimated residual value, of each asset on a straight-line basis over its expected useful life, as follows

Leasehold buildings and property improvement	Over the term of the lease
Fixtures and fittings	5 to 10 years
Equipment (including computers, IT hardware and software)	3 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date

STATEMENT OF ACCOUNTING POLICIES (continued)

Investments

i) Subsidiary undertakings

Investments in subsidiaries are valued at cost less provision for impairment

ii) Associated undertakings

Investments in associates are stated at the amount of the Group's share of net assets or liabilities The consolidated profit and loss account includes the Group's share of the associated companies' results after taxation using the equity accounting basis Goodwill recognised on acquisition, less amortisation, is included in the carrying value of the investment in associate

iii) Fixed asset investments

Investments held as fixed assets are shown at cost less provision for impairment

iv) Current asset investments

Investments held as current assets are shown at the lower of cost and net realisable value Impairments are recognised if the directors consider they are sufficiently material to the carrying value of the investment The carrying value and market value of investments is disclosed in note 11

Liquid resources

Liquid resources are those current asset investments which are readily converted into cash The Group's listed current asset investments are treated as liquid resources

Pensions

The Group operates a defined contribution pension scheme for employees and the pension charge represents the amounts payable by the Group to the scheme in respect of the year These costs are included as part of staff costs (see note 2) and are all incurred within Octopus Investments Limited Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet Further detail on pensions may be found in note 23 to the financial statements

Leases

Rentals under operating leases are charged to the profit and loss account on a straight-line basis over the lease term, even if payments are not made on such a basis Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight-line basis over the life of the lease

Financial instruments

Financial instruments are classified and accounted for according to the substance of the contractual arrangement, as financial assets, financial liabilities or equity instruments An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities

STATEMENT OF ACCOUNTING POLICIES (continued)

Share-based payments

The Group has applied the requirements of FRS 20 Share-based Payments The Group issues equity-settled share-based payments to certain employees Equity-settled share-based payments are measured at fair value (excluding the effect of non market-based vesting conditions) at the date of grant

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non market-based vesting conditions

Fair value is measured by use of the Black Scholes pricing model The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations

Employee benefit trust

The costs incurred by the Company in the setting up and maintenance of the employee benefit trust are charged to the profit and loss account in the period in which they are incurred Assets and liabilities of the trust are identified within the Company according to the class of asset they represent

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 April 2012

1 Profit on Ordinary Activities before Taxation

Profit on ordinary activities before taxation is stated after charging

	2012 £'000s	2011 £'000s
Amortisation of goodwill	189	190
Impairment of goodwill	418	-
Depreciation of tangible fixed assets (owned by the Group and Company)	603	575
Bad and doubtful debts	202	197
Operating lease rentals		
- equipment	-	8
- land and buildings	291	326

The analysis of auditor's remuneration is as follows

	2012 £'000s	2011 £'000s
Fees payable to the Company's auditor for the audit of the Group's annual accounts	50	57
Fees payable to the Company's auditor and their associates for other services to the Group	45	23
Total fees payable to the Company's auditor	95	80

The auditor's remuneration is for the audit fees for the Group

2. Staff Costs

The average monthly number of employees, including executive directors, during the year was

	2012 Number	2011 Number
Sales and distribution	30	32
Administrative and investment staff	158	138
	188	170

Their aggregate remuneration comprised

	2012 £'000s	2011 £'000s
Wages and salaries	17,952	14,496
Social security costs	2,583	1,713
Other pension costs (see note 23)	1,079	1,395
	21,614	17,604

'Other pension costs' includes those items included within administrative expenses

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 30 April 2012

3. Directors' Remuneration and Transactions

Director's remuneration

	2012 £'000s	2011 £'000s
Emoluments	2,015	860
Company contributions to defined contribution pension schemes	81	60
	2,096	920

There were no directors who exercised options over shares in the Company or who received awards in the form of shares under a long-term incentive scheme

Remuneration of the highest paid director:

	2012 £'000s	2011 £'000s
Emoluments	520	305
Company contributions to defined contribution pension schemes	22	22
	542	327

The highest paid director did not exercise any share options in the year

At the balance sheet date retirement benefits were accruing to 4 directors (2011 4) in respect of defined contribution pension schemes

Directors' transactions

Details of transactions with directors during the year are disclosed in note 24

4. Tax on profit on ordinary activities

The tax charge comprises

	2012 £'000s	2011 £'000s
Current Tax (see note below)		
UK corporation tax	1,926	1,055
Adjustments in respect of prior periods	(574)	(7)
Total current tax	1,352	1,048
Deferred tax		
Origination and reversal of timing differences	(160)	(208)
Effect of change in tax rate on opening liability	12	4
Total deferred tax recognised in year (see note 14)	(148)	(204)
Tax on profit on ordinary activities	1,204	844

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 30 April 2012

4 Tax on profit on ordinary activities (continued)

Factors affecting tax charge for the year

The differences between the total current tax shown above and the amount calculated by applying the UK corporation tax rate of 25 83% (2011 27 83%) to the profit before tax are as follows

	2012 £'000s	2011 £'000s
Profit on ordinary activities before tax	5,817	2,773
Tax on profit on ordinary activities at standard UK corporation tax rate of 25 83% (2011 27 83%)	1,503	772
Effects of		
Expenses not deductible for tax purposes	247	124
Capital allowances for year in excess of depreciation	69	44
Over provision in prior year	(574)	(7)
Other short term timing differences	157	115
Capital losses	(7)	-
Non taxable UK dividends	(43)	-
Current tax charge for the year	1,352	1,048

5. Profit Attributable to the Company

The loss for the financial year dealt with in the financial statements of the Company was £1,810,034 (2011 £503,113) This was primarily attributable to depreciation of fixed assets and to the impairment of the investment in Octopus Ventures Limited, a wholly owned company within the Group As permitted by Section 408 of the Companies Act 2006, no separate profit and loss account is presented in respect of the Company

6 Share of associates operating profit/loss

	2012 £'000s	2011 £'000s
Profit/(loss) from existing operations	85	(272)
Adjustment for share of prior year loss	(30)	-
	55	(272)

All profit/loss is from continuing operations The investment in Lightsource includes goodwill at cost of £66,776 arising on acquisition, which has been fully impaired The adjustment for the share of the prior year loss occurred following the issuance of the audited accounts of the associate

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 30 April 2012

7. Intangible Fixed Assets - Goodwill

	Positive goodwill £'000s
Cost	
At 1 May 2011 and 30 April 2012	950
Amortisation	
At 1 May 2011	343
Charge for the year	189
Goodwill written off	418
At 30 April 2012	950
Net book value	
At 30 April 2012	-
At 30 April 2011	607

Goodwill related to the acquisition of 100% of the issued share capital of Octopus Ventures Limited The acquisition date for 50 1% of the issued share capital was 30 August 2007 The remaining 49 9% of the issued share capital was acquired on 30 August 2009

During the year ended 30 April 2012, the directors decided to impair in full the unamortised goodwill The directors are of the opinion that given Octopus Investments Limited has assumed all the activities of Octopus Ventures Limited and that the underlying investments acquired have been transferred into the name of Octopus Capital Limited, written-off, impaired or realised, it is inappropriate to continue to carry goodwill assets in relation to the original acquisition of Octopus Ventures Limited

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 30 April 2012

8. Tangible Fixed Assets

Group and Company	Leasehold property improvements £'000s	Fixtures & fittings £'000s	Equipment £'000s	Total £'000s
Cost				
At 1 May 2011	901	142	1,846	2,889
Additions	-	16	680	696
Write-off	-	(103)	(153)	(256)
At 30 April 2012	901	55	2,373	3,329
Depreciation				
At 1 May 2011	183	87	1,252	1,522
Charge for the year	149	15	439	603
Write-off	-	(76)	(97)	(173)
At 30 April 2012	332	26	1,594	1,952
Net book value				
At 30 April 2012	569	29	779	1,377
At 30 April 2011	718	55	594	1,367

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 30 April 2012

9. Fixed Asset Investments

Group	Listed investments £'000s	Unlisted investments £'000s	Total £'000s
Cost			
At 1 May 2011	8	1,634	1,642
Additions	-	32	32
Reclassification from debtors	-	30	30
At 30 April 2012	8	1,696	1,704
Provisions for Impairment			
At 1 May 2011	-	(1,301)	(1,301)
Written off	(6)	(61)	(67)
At 30 April 2012	(6)	(1,362)	(1,368)
Net book value			
At 30 April 2012	2	334	336
At 30 April 2011	8	333	341

The market value of the listed investments at 30 April 2012 was £24,795 (2011 - £74,520)

CP 100 Limited (formerly Coppereye Limited), an investment held at the year end by Octopus Administrative Services Limited, which had a cost of £1,272,504 (2011 £1,272,504) and had been fully impaired (2011 fully impaired), was dissolved on 20 June 2012

Company	Shares in Group undertakings £'000s	Investment in associates £'000s	Unlisted investments £'000s	Total £'000s
Cost				
At 1 May 2011	3,625	3	82	3,710
Reclassification from debtors	-	-	30	30
At 30 April 2012	3,625	3	112	3,740
Provisions for Impairment				
At 1 May 2011	-	-	-	-
Impairment	(870)	-	(49)	(919)
At 30 April 2012	(870)	-	(49)	(919)
Net book value				
At 30 April 2012	2,755	3	63	2,821
At 30 April 2011	3,625	3	82	3,710

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 30 April 2012

9. Fixed Asset Investments (continued)

Associates

	Group and Company £'000s
Share of net deficit	
At 1 May 2011	(269)
Adjustment to share of prior year retained profit	(30)
Share of retained profit for the year	85
At 30 April 2012 (see also note 13)	(214)

The following information is given in respect of the Group's share of associates

	2012 £'000s	2011 £'000s
Turnover	3,138	-
Fixed assets	36	12
Current assets	1,309	99
Liabilities due within one year	(1,174)	(104)
Liabilities due after one year	(450)	(371)

Investment in associates represents 25% of the issued share capital of Lightsource Renewable Energy Limited ('Lightsource'), a Company incorporated in England whose principal activity is the development of renewable energy sites The Company's shareholding comprises 100% of the 'A' ordinary shares issued by Lightsource, which rank above Ordinary shares in event of a winding up The holding of 25% of the voting shares does not allow for the exercising of significant voting rights or for the exercise of significant influence over the operating and financial policies of Lightsource The accounting reference date of Lightsource is 30 April This was changed from 1 April during the year

The investment in Lightsource includes goodwill at cost of £66,776 arising on acquisition, which has been fully impaired

The directors expect Lightsource to be profitable in the future and therefore believe that any diminution in value is temporary For this reason no provision for impairment is made to the investment shown in the company's balance sheet

The Group's share of capital commitments of associates at 30 April 2012 was £nil (2011 £nil)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 30 April 2012

9. Fixed Asset Investments (continued)

Subsidiary undertakings	Country of incorporation	Holding	Nature of business
Octopus Administrative Services Limited	England	Ordinary Shares	Investment Company
Octopus Asset Management Limited	England	Ordinary Shares	Dormant
Octopus CFE FP Limited*	England	Ordinary Shares	Dormant
Octopus CFE General Partner Limited*	England	Ordinary Shares	General Partner (Dormant)
Octopus Founder Partner Limited*	England	Ordinary Shares	Dormant
Octopus GP Limited*	England	Ordinary Shares	Dormant
Octopus Investments General Partners Limited*	England	Ordinary Shares	Dormant
Octopus Investments Limited	England	Ordinary Shares	Fund Management
Octopus Investments Nominees Limited*	England	Ordinary Shares	Dormant
Octopus Nominees Limited	England	Ordinary Shares	Dormant
OCS Services Limited	England	Ordinary Shares	Dormant
Octopus Trustees Limited	England	Ordinary Shares	Dormant
Octopus Ventures Limited*	England	Ordinary Shares	Fund Management
Octopus Ventures Nominees Limited *	England	Ordinary Shares	Dormant
Rednel Limited	England	Ordinary Shares	Dormant**

* Indirectly held by a subsidiary

**Active post year end (see note 24)

All subsidiary undertakings have been included in the consolidated accounts

10. Debtors

	Group		Company	
	2012 £'000s	2011 £'000s	2012 £'000s	2011 £'000s
Amounts falling due within one year:				
Trade debtors	6,182	2,427	-	-
Amounts owed by associates	1,491	555	1,491	555
Other debtors	645	692	2	47
Prepayments and accrued income	2,750	2,531	-	-
Deferred tax asset (see note 14)	352	204	110	111
	11,420	6,409	1,603	713
Amounts falling due after one year				
Amounts owed by associates	-	556	-	556
	-	556	-	556

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 30 April 2012

11. Group Current Asset Investments

	Listed Investments £'000s	Unlisted Investments £'000s	Total £'000s
Cost or valuation			
At 1 May 2011	165	779	944
Additions	133	2,241	2,374
Disposals	(248)	(771)	(1,019)
Reclassifications	126	(126)	-
Impairment	(13)	-	(13)
Closing Balance as at 30 April 2012	163	2,123	2,286

Group Listed investments

The aggregate market value of the listed investments at 30 April 2012 was £172,126 (2011 £161,854)

Group Unlisted investments

The carrying value of unlisted investments includes a provision for impairment of £nil (2011 £96,652)

12. Creditors

Amounts falling due within one year·

	Group		Company	
	2012 £'000s	2011 £'000s	2012 £'000s	2011 £'000s
Trade creditors	3,088	1,618	-	-
Amounts owed to Group undertakings	-	-	5,785	5,175
Corporation tax	599	735	-	-
Social security and other taxes	1,641	1,568	-	-
Other creditors	377	-	3	3
Accruals and deferred income	10,343	6,933	-	-
Defined contribution pension scheme accrual	89	87	-	-
	16,137	10,941	5,788	5,178

Amounts falling due after more than one year

	Group	
	2012 £'000s	2011 £'000s
Accruals and deferred income	864	253

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 30 April 2012

13. Other Provisions

Other provisions represent the Group's interest in the net liabilities of an associate, arising as follows

Group and Company	Investment in associates £
At 1 May 2011	(269)
Movement in the year (see note 6)	55
At 30 April 2012	(214)

14. Deferred Taxation

	Group		Company	
	2012 £'000s	2011 £'000s	2012 £'000s	2011 £'000s
At beginning of year	204	-	111	-
Recognised during year	148	204	(1)	111
At end of year	352	204	110	111

The deferred taxation balance is made up as follows

	Group		Company	
	2012 £'000s	2011 £'000s	2012 £'000s	2011 £'000s
Accelerated capital allowances	67	41	49	38
Share-based payments	61	73	61	73
Other timing differences	224	90	-	-
	352	204	110	111

Under FRS 19 deferred tax should be recognised at the average tax rates expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date

The assets above have been recognised at 24% Although not enacted at the balance sheet date, the tax rate is expected to fall to 23% by 1 April 2014

The Group also has unrecognised deferred tax assets of £685,131 (2011 £402,588) These will only crystallise in the event of certain of the Group companies making future taxable profits and future taxable gains At present the directors feel this is insufficiently certain to support the recognition of the assets

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 30 April 2012

15. Called-Up Share Capital

	2012	2011
	£'000s	£'000s
Allotted, called-up and fully-paid		
31,316,868 (2011 30,528,556) Ordinary shares of 1p each	313	305

The Company issued 778,786 shares (2011 nil) by virtue of employees exercising vested share options

16. Share Options

The Group has a share option scheme for all employees of the Group Options are exercisable at a price determined by the directors estimated to be a fair valuation of the Company on the date of grant The vesting period for options issued before May 2010 was one third on the third, fourth and fifth anniversary years respectively Options issued after and including May 2010 had a vesting period of one third on the second, third and fourth anniversaries respectively

If the options remain unexercised after a period of ten years from the date of grant, the options expire Unvested options are forfeited if the employee leaves the Group

Details of the share options outstanding during the year are as follows

	2012		2011	
	Number of share options	Weighted average exercise price (£)	Number of share options	Weighted average exercise price (£)
Outstanding at the beginning of the year	8,091,723	0 46	7,792,532	0 43
Granted during the year	1,397,771	1 20	654,907	1 11
Cancelled during the year	(343,931)	1 05	(355,716)	0 91
Exercised during the year	(778,786)	0 33	-	-
Outstanding at the year end	8,366,777	0 58	8,091,723	0 46
Exercisable at the year end	4,478,603	0 24	4,590,371	0 24

The weighted average share price at the date of exercise for share options exercised during the period was £0 33 The options outstanding at 30 April 2012 had a weighted average exercise price of £0 58 and a weighted average remaining contractual life of four years In the year to April 2012, options were granted on 27 May 2011 and 23 April 2012

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 30 April 2012

16 Share Options (continued)

The range of exercise prices of the outstanding options was as follows

	2012	2011
£0 09 to £0 20	3,028,482	3,028,482
£0 21 to £0 50	938,174	1,673,300
£0 51 to £0 75	1,009,737	683,639
£0 76 to £1 00	1,964,450	2,150,643
£1 01 to £1 11	474,491	555,659
£1 12 to £1 39	951,443	-
Total	8,366,777	8,091,723

The fair values of the above options were calculated using the Black-Scholes pricing model The weighted averages of the inputs into the model were as follows

	2012	2011
Weighted average share price	£0 32	£0 25
Weighted average exercise price	£0 58	£0 46
Expected volatility - %	47 0	45 9
Expected life - years	4 0	5 6
Risk free rate - %	3 7	4 0
Expected dividend yield - %	-	-

The volatility has been adjusted based on management's best estimate of the future growth prospects of the Group The expected life used in the model has been adjusted, based on management's best estimates, for the effects of the non-transferability, exercise restrictions and behavioural considerations

The Group recognised total expenses of £158,037 (2011 £153,507) in the year in relation to equity-settled share based payment transactions This includes an amount under-charged in the previous year of £7,964 (2011 £44,413)

The 2011 disclosures throughout this note have been updated to reflect the correct position for options granted or cancelled in the prior year(s) that were not previously recorded This had no impact on the amount charged to the profit and loss account in the previous year and hence no adjustment has been posted in the current year

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 30 April 2012

17. Reserves

Group	Share premium account	Share based payments	Own shares	Other reserves	Profit and loss account	Total
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
At 1 May 2011	411	-	(162)	3,228	3,076	6,553
Profit for the year	-	-	-	-	4,613	4,613
Movement on reserve	256	158	213	-	-	627
Transfer between reserves	-	348	-	-	(348)	-
At 30 April 2012	667	506	51	3,228	7,341	11,793

Company	Share premium account	Share based payments	Own shares	Other reserves	Profit and loss account	Total
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
At 1 May 2011	411	-	(162)	3,228	(2,594)	883
Loss for the year	-	-	-	-	(1,810)	(1,810)
Movement on reserve	256	158	213	-	-	627
Transfer between reserves	-	348	-	-	(348)	-
At 30 April 2012	667	506	51	3,228	(4,752)	(300)

Share based payments reserve

During the year, the directors established the Share Based Payments Reserve in order to show the separation of the share based payment charge from the Profit and Loss Account

Own shares reserve

The reserve for the purchase of own shares, in accordance with UITF 38, consists of payments made by Octopus Employee Benefit Trust ('the trust') to acquire shares in Octopus Capital Limited The trust makes such payments to facilitate ownership and transfer of shares by employees of the Group Movement on the reserves reflects the purchase or sale of shares by the trust The trust reserve is currently in a debit position due to the trust receiving more cash for shares sold than it originally paid for those shares As the Company has de facto control over the assets and liabilities of the trust (consisting of shares in the Company), the directors have considered it appropriate to recognise the assets and liabilities of the trust in its own financial statements

At the balance sheet date, the trust held 259,596 (2011 542,058) Ordinary shares in Octopus Capital Limited All dividends are waived by the trust None of these shares were under option to employees or had been conditionally gifted to them at the balance sheet date

Other reserves

Other reserves were created in 2006 when the Company applied to the High Court of Justice to cancel the entire share premium of the Company The High Court granted this request, as a result the entire share premium reserve at the time was transferred to a special distributable reserve

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 30 April 2012

18. Reconciliation of Movements in Group Shareholders' Funds

	2012 £'000s	2011 £'000s
Opening shareholders' funds	6,858	4,362
Profit for the year	4,613	1,929
Shares issued during the year	8	-
Equity-settled share-based payments	158	154
Share premium on shares issued (net of expenses)	256	-
Net sale of own shares by Employee Benefit Trust	213	413
Closing shareholders' funds	12,106	6,858

19. Reconciliation of Operating Profit to Operating Cash Flows

	2012 £'000s	2011 £'000s
Operating Profit	6,124	2,875
Amortisation of intangible fixed assets	189	190
Depreciation of tangible fixed assets	603	575
Loss on disposal of tangible fixed assets	83	39
(Increase)/decrease in debtors	(4,243)	247
Increase in creditors	5,850	3,623
Equity-settled share-based payments	158	154
Impairment of current asset investments	13	97
Amounts written off investments	67	127
Net cash inflow from operating activities	8,844	7,927

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 30 April 2012

20. Analysis of Cash Flows

	2012	2011
	£'000s	£'000s
Returns on investments and servicing of finance		
Interest received	67	184
Interest paid	(11)	(14)
Net cash inflow from investments and servicing of finance	56	170
Taxation		
UK corporation tax paid	(1,488)	(630)
Net cash outflow from taxation	(1,488)	(630)
Capital expenditure and financial investment		
Purchase of tangible fixed assets	(696)	(1,372)
Purchase of unlisted investments	(2,273)	(887)
Sale of unlisted investments	771	129
Net cash outflow from capital expenditure and financial investment	(2,198)	(2,130)
Acquisitions and disposals		
Purchase of shares in associate	-	(3)
Net cash outflow from acquisitions and disposals	-	(3)
Management of liquid resources		
Purchase of listed investments	(133)	(13)
Sale of listed investments	248	7
Net cash inflow/(outflow) from management of liquid resources	115	(6)
Financing		
Issue of ordinary shares	263	-
Net sale of own shares by Employee Benefit Trust	213	413
Net cash inflow from financing	476	413

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 30 April 2012

21. Analysis of Change in Net Funds

	1 May 2011	Cash Flow	Other non-cash changes	30 April 2012
	£'000s	£'000s	£'000s	£'000s
Cash at bank and in hand	8,097	5,805	-	13,902
Liquid resources				
Current asset investments	165	(115)	113	163
Net Funds	8,262	5,690	113	14,065

22. Financial Commitments

At 30 April 2012 the Company had annual commitments under non-cancellable operating leases as follows

	Land and building		Other	
	2012	2011	2012	2011
	£'000s	£'000s	£'000s	£'000s
Expiry date				
Within 1 year	-	-	-	-
Between 2 and 5 years	623	623	-	8
	623	623	-	8

Under a lease for the Company's premises dated 30 June 2010 and expiring on 22 December 2014, the annual rent of £623,013 (disclosed above) is payable from 15 March 2013

23. Retirement benefit schemes

The Company operates a defined contribution retirement benefit scheme for all qualifying employees The assets of the scheme are held separately from those of the Company under the control of trustees Contributions accrue to the scheme for qualifying employees during the dates of their contracts of employment

Contributions are usually made as a percentage of an individual employee's gross annual salary The total costs charged to income of £1,078,752 (2011 £1,394,861) represent contributions payable to the scheme by the Company As at 30 April 2012, contributions of £89,193 (2011 £83,975) due in respect of the current reporting period had not been paid over to the scheme

24. Related Party Transactions

During the year M Cooper, a director, invoiced the Group £98,438 (2011 £62,500) for consultancy services The amount outstanding at the year end was £7,500 (2011 £7,500)

During the year, the Group disposed of shares in Foreman Trading Limited for total consideration of £593,720, a company with key management personnel in common

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 30 April 2012

24. Related Party Transactions (continued)

During the year, the Group purchased shares in the following companies with key management personnel in common with Octopus Investments Limited, a wholly owned subsidary

	No. of shares purchased	Total consideration £'000s
Asianne Limited	68,027	68
Bracken Holdings Limited	29,316	31
JAC Film and Television LLP and its corporate members	782,643	748
Malakbel Limited	3,607	4
Mehrang Limited	2,140	2
Nabarun Limited	713	1
Sunlightstone LLP and its corporate members	397,382	435
Ticketus Holdings 5 Limited	381,262	485

The Group received management, administration and accounting, company secretarial and non-executive directors' fees from companies with key management personnel in common relating to the Venture Capital Trust (VCT) products as follows

	2012 £'000s	2011 £'000s
Octopus Apollo VCT 1 plc	175	193
Octopus Apollo VCT 2 plc	175	193
Octopus Apollo VCT 3 plc	576	569
Octopus Apollo VCT 4 plc	237	267
Octopus Eclipse VCT plc	511	589
Octopus Eclipse VCT 2 plc	284	372
Octopus Eclipse VCT 3 plc	389	446
Octopus Eclipse VCT 4 plc	389	446
Octopus VCT plc	181	172
Octopus VCT 2 plc	97	-
Octopus Titan VCT 1 plc	354	359
Octopus Titan VCT 2 plc	352	359
Octopus Titan VCT 3 plc	457	481
Octopus Titan VCT 4 plc	502	498
Octopus Titan VCT 5 plc	314	-
Octopus Aim VCT plc	817	578
Octopus Second Aim VCT plc	568	401
Octopus IHT Aim VCT plc	-	59
Octopus Phoenix VCT plc	-	55
	6,378	6,037

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 30 April 2012

24. Related Party Transactions (continued)

The Group received accounting, service, monitoring and arrangement fees from companies which have key management personnel in common, relating to the Inheritance Tax (IHT) products as follows

	2012 £'000s	2011 £'000s
Fern Trading Limited	6,982	1,678

The Group also received accounting, monitoring and arrangement fees from companies which have key management personnel in common relating to Enterprise Investment Scheme (EIS) as follows

	2012 £'000s	2011 £'000s
Ticketus LLP and its corporate members	1,188	3,117
Ticketus 2 LLP and its corporate members	977	3,583
JAC Film and Television LLP and its corporate members	(1,058)	180
JAC Rights Management LLP and its corporate members	778	605

The Group received accounting, monitoring and arrangement fees of £8,298,476 (2011 £2,255,158) from companies which have key management personnel in common and which are companies that have been invested in by the VCT, IHT and EIS products

The Group received residual risk premiums of £70,000 (2011 £51,700) from Prism Capital Management Limited, a company which has key management personnel in common

The Group received monitoring fees of £49,583 (2011 £nil) from Lightsource Renewable Energy Limited which is an associate of the Group During the year, the Group issued further interest free loans totalling £480,000 to Lightsource Renewable Energy Limited of which at the balance sheet date £50,000 had been written off The total balance of outstanding loans at the year end was £1,441,281 (2011 £1,111,281)

On 30 May 2012, Octopus Capital Limited provided a loan for the sum of £280,000 to Rednel Limited, a wholly owned subsidiary of the Company which was dormant at the Company's year end

25. Ultimate Parent Undertaking and Controlling Party

In the opinion of the directors there is no ultimate controlling party as defined in Financial Reporting Standard 8 Copies of these accounts can be obtained from The Secretary, Octopus Capital Limited, 20 Old Bailey, London, EC4M 7AN